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March 6, 2001

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**BY COURIER**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

EX PARTE OR LATE FILED

**Re: CC Docket No. 96-128 (remand of inmate service issues)**

Dear Ms. Salas:

Enclosed for filing with the Federal Communications Commission is a copy of an Ex Parte Presentation in CC Docket No. 96-128.

If you have any questions about this matter, please contact the undersigned.

Sincerely,



Robert F. Aldrich

RFA/nw  
Enclosure

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March 6, 2001

**EX PARTE PRESENTATION**

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

Ms. Dorothy Attwood  
Chief, Common Carrier Bureau  
Federal Communications Commission  
445 12<sup>th</sup> St., SW  
Washington, D.C. 20554

Re: **CC Docket No. 96-128 (remand of inmate service issues)**

Dear Ms. Attwood:

On behalf of the Inmate Calling Service Providers Coalition ("ICSPP"), we want to bring to your attention BellSouth's recent announcement that it is exiting the payphone market. It is our understanding that BellSouth intends to terminate all the services currently provided through its payphone affiliate, including the provision of inmate telephone service.

BellSouth's withdrawal from the inmate telephone market underscores the need for this Commission to address the long-pending issues concerning fair compensation for inmate telephone service providers and the elimination of subsidies and discrimination for inmate service provided by incumbent local exchange carriers ("ILECs"). It has been three years since the issues of compensation and competitive safeguards for inmate telephone service were remanded by the court of appeals to the Commission *at the Commission's request*.

BellSouth's exit affects both the pending fair compensation issue and the competitive safeguards issue. With respect to fair compensation, as ICSPP has explained in previous submissions, several states in BellSouth's territory have among the lowest rate ceilings on local inmate collect calls, rate ceilings that make it unprofitable to service most local jails.<sup>1</sup> With BellSouth's decision to exit the market, the question arises: who will provide service to the jails formerly served by BellSouth? Without fair compensation for local collect calls, there is no reason to expect any service provider to do so.

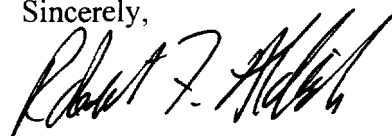
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<sup>1</sup> See e.g., Letter to Chairman William E. Kennard from Connie R. Watson, Sheriff of Surry County, North Carolina (attached to Letter to Magalie Roman Salas, Secretary, FCC, from Robert F. Aldrich, dated January 10, 2001).

With respect to competitive safeguards, BellSouth's exit points up the need to correctly apply the safeguards intended by Congress to require ILECs to recognize the true costs and revenues involved in inmate telephone service. Alone among the ILECs, BellSouth chose to provide inmate telephone service (as well as payphone service) through an affiliate that operated as its own profit center with a distinct management group. Because of the affiliate structure, BellSouth's investors were more likely than other ILECs' to become aware of, and bring pressure to address, the true costs and revenues involved in the provision of inmate telephone service.<sup>2</sup> Without such awareness, ILECs are likely to continue to ignore uncollectables and offer extraordinarily high commissions. As a result, they continue to bid up commission payments to levels that harm competition and *preclude independent inmate service providers from being able to provide service at reasonable rates.*

It is time for the Commission to act on the three-year-old court remand proceeding in order to ensure that service is provided to local jails and that all service providers respond to the real world signals of the market.

Sincerely,



Robert F. Aldrich

Copy to:

Kyle Dixon (Legal Advisor, Chairman Powell)  
Jordan Goldstein (Legal Advisor, Commissioner Ness)  
Rebecca Beynon (Legal Advisor, Commissioner Furchtgott-Roth)  
Deena Shetler (Legal Advisor, Commissioner Tristani)  
Glen Reynolds (Deputy Chief, Common Carrier Bureau)  
Jane Jackson (Chief, Competitive Pricing Division)  
Tamara Preiss  
Jay Atkinson  
Adam Candeb

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<sup>2</sup> Because the FCC has not correctly implemented Section 276 with respect to inmate telephone service, the affiliate structure did not ensure that BellSouth would not continue to subsidize and discriminate in favor of its inmate services. However, the fact that BellSouth voluntarily operated its inmate telephone service through an affiliate made it likely that BellSouth's inmate service management would have more awareness than other ILECs of the real costs and revenues involved.